



THAKRAL CORPORATION LTD

(Incorporated in the Republic of Singapore on 7 October 1993)
(Company Registration No. 199306606E)

PRESS RELEASE

Thakral Reports Net Profit of S\$20.0 million on Revenue of S\$107.9 million for FY2019

Singapore, 26 February 2020

SGX Mainboard-listed Thakral Corporation Ltd (“Thakral” or the “Group”) has maintained its profitable track record – delivering a net profit of S\$20.0 million for the financial year ended 31 December 2019 (FY2019), comparable to its previous year’s return of S\$20.2 million.

The Group’s net profit was achieved on total revenue of S\$107.9 million. The 31% lower revenue was due to softer sales during the year.

The Group’s bottom line benefitted from improved operational performance and contributions from its associates and joint ventures (which include the Japanese property investments and GemLife retirement housing) as well as a S\$3.5 million gain from the sale of its office building in Osaka, Japan. This was also helped by lower finance costs, forex losses and income taxes. Valuation losses on its investment properties (mainly the GLNG houses in Australia) were reduced by 55% to S\$3.2 million from S\$7.1 million in the same period last year. The Lifestyle Division’s performance continued to weigh on the Group.

Net Asset Value per Share and Earnings per Share

Net Asset Value per share as of 31 December 2019 increased 2.4% to 103.37 cents from 100.98 cents as of 31 December 2018.

The Group’s FY2019 earnings per share dipped slightly to 6.94 cents versus 7.10 cents in FY2018.

Working Capital

Cash balances edged down marginally to S\$10.8 million as at 31 December 2019 from S\$11.5 million on 31 December 2018.

Segmental Performance

Investment Division

This division remained profitable, registering positive segment results of S\$37.5 million versus S\$40.5 million in the previous financial year.

Revenue for this division softened by 16.8% mainly due to the timing for completion of projects and settlements taking place and a shift in the investment portfolio mix as well as the progressive expiration of leases for the Group's GLNG houses.

Australia

The Group continued to make good progress for its GemLife retirement housing projects.

The sales and settlements at Bribie Island, Woodend and Highfields projects continue to perform. The stage 4 construction at Bribie Island is running on schedule while community facilities for the Woodend and Highfields project are at stages 3 and 4 respectively. Overall, 290 houses at these projects are now occupied with sales progressing well.

Sales of the Maroochy Quays project are also satisfactory with construction of the first homes to be completed in 1QFY2020. Sales for the newly acquired Pacific Paradise project remain strong with construction scheduled to start in 1QFY2020.

In view of the growth potential of retirement homes in Australia, GemLife will persist in actively scouting for new sites for acquisition and future development.

Completion of community and leisure/dining facilities at the Parkridge Noosa project in the quarter along with on-going settlements has enabled a real community atmosphere to be established in the estate. Practical completion of the Oxford Residences project in Sydney's Bondi Junction is expected by 3QFY2020. A number of houses in Gladstone were sold during the quarter in a market that is witnessing higher rentals and low vacancies.

The Group continues to review potential projects in residential and other market segments.

Japan

The yield from the Group's properties in Japan remained strong in FY2019 with the tight rental market and additional supply not expected until 2022. Pre-leasing activity has been robust, keeping vacancy rates low while boosting rental values.

The Group invested in the Umeda Pacific Building in 4QFY2019, while renovations are ongoing at various properties in Osaka with the aim of higher rentals upon lease renewals.

Lifestyle Division

The division's sales in FY2019 slipped to S\$73.4 million from S\$115.7 million a year ago due to difficult market conditions amid a Chinese economy slowing from the impact of US-China trade tensions. Segment losses (including a S\$3.5 million gain from the sale of the Osaka office building) were S\$5.9 million - comparable to S\$5.7 million in FY2018.

As part of improving productivity and returning to profitability, Lifestyle Division is continuing to take steps to reduce its cost structure. The Group's strong relationship with key channels such as Tmall, JD and Sephora serve as a strong platform for brands. The Group will continue to market the brands in its portfolio, such as Maison Margiela and Ralph Lauren in fragrance; John Masters Organics in skin and hair care; Slendertone in at-home beauty devices; and DJI in lifestyle products.

Going Forward

Mr. Natarajan Subramaniam, Independent Non-Executive Chairman and Lead Independent Director of Thakral, said: "The Group's performance has been creditable taking into consideration the difficult business conditions in China. GemLife has established itself as one of the leading players in the resort style retirement living segment in Australia and with multiple sites in various stages of development. It is hence well-positioned to meet the needs of the aging population. GemLife continues to evaluate other sites for investment. We have also set our targets to take our pipeline to 4,000 homes within the next eight to ten years."

Mr. Subramaniam added, "The Investment Division remains positive about the outlook for its investments in Australia & Japan, and it is fortuitous that our investments in Australia have not been affected by the recent Australian bushfires. We are nonetheless mindful of the challenges in terms of climate change and the ongoing slowdown of the Australian housing market.

Our properties in Japan have performed well during the year. We are happy that we have put more focus on adding more commercial office buildings to our portfolio. Our latest acquisition of Umeda Pacific building is very centrally located in Osaka and offers high potential. The portfolio gives us sustainable returns and cash flow. We may also consider to sell some of the properties that we believe are mature as part of our ongoing strategy to maximise returns to shareholders.

The current COVID-19 outbreak has been both more intensive as well as extensive than originally thought both within and outside China. Operations of the Lifestyle Division will therefore be substantially affected in all the major countries in which the division operates. New measures to limit the impact from the resultant economic slowdown caused by the coronavirus contagion are being put in place.

The Japanese economy may also face some challenges posed by the COVID-19 outbreak, especially in the tourism sector. We will remain prudent and cautious with investment decisions. Japan is expected to continue to feature prominently in the Group's sustainable returns strategy, with our robust portfolio of income-producing hotels and offices.

Overall, the Group has managed to capitalise on strengths and plans to persist with the same approach in the coming year to remain resilient and stay sustainable over the long term."

Given the prevailing global and regional uncertainties, the Group is cautiously optimistic of its outlook in FY2020.

Going forward, in view of the recent SGX amendments to quarterly reporting rules for listed companies, the Group shall be reporting results on a half-yearly basis from the current year. The Group shall endeavour to maintain its policy of paying dividends twice a year.

About Thakral

Listed on the SGX Mainboard since December 1995, Thakral Corporation Ltd has two divisions – Lifestyle Division and Investment Division.

The Group's Investment Division invests directly or with co-investors in real estate and other investment opportunities including property-backed financial instruments. The Group also earns income from the services rendered from originating, packaging and managing the projects. The Investment Division, through a joint venture, has expanded its businesses into development and management of retirement living resorts in Australia under the GemLife brand. The Group has expanded its portfolio to include properties in Japan and Singapore in recent years. Its Japanese investment portfolio has grown significantly since establishment about five years ago and now comprises 7 commercial buildings, 3 business hotels and a retail property.

The Investment Division is now the Group's largest component in terms of net assets as well as profitability.

The Group's Lifestyle Division is focused on marketing and distributing brands in the beauty, wellness and lifestyle categories, working with leading e-commerce platforms as well as traditional retailers. The brands distributed by the Lifestyle Division include Panasonic, DermaWand, Philips, T3 and Slendertone, skin and hair care brand John Masters Organics, fragrance brands Maison Margiela and Ralph Lauren as well as lifestyle brands such as DJI. The Lifestyle Division also operates an e-commerce retail platform for at-home beauty devices in China, in a joint venture with UK-based CurrentBody.com Limited, a leader in this space.

Greater China including Hong Kong, Southeast Asia and India are key markets for the Lifestyle Division and Australia, Japan and Singapore for the Investment Division.

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